

The Missoula Plan

- Revenue Recovery Provisions

ICC Workshop

October 4, 2006

GVNW Consulting, Inc.

Major Recovery Mechanisms

- SLC Increases
- Restructure Mechanism (RM)
- Lifeline USF Increases
- Early Adopter Fund



SLC Changes

- Partial recovery of lost intercarrier revenues may come from increased SLC charges
- Increases vary depending on a carrier's Track classification



Three SLC constraints (p. 19-22)

- Nationwide SLC caps
- Limitations on individual rate increases
- Limitations on average rate increases



SLC Caps – Track 1 (p. 20)

	Res & Single Line Business	Multi-Line Business
Step 1	\$7.25	\$9.20
Step 2	\$8.00	\$9.20
Step 3	\$9.00	\$9.20
Step 4	\$10.00	\$10.00
Step 5	Inflation increase	Same

SLC Caps – Track 2 (p. 20-21)

	Res & Single Line Business	Multi-Line Business
Step 1	\$7.25	\$9.20
Step 2	\$8.00	\$9.20
Step 3	\$8.75	\$10.00
Step 4	\$8.75	\$10.00
Step 5	\$8.75	\$10.00



SLC Caps – Track 3 (p. 20-21)

	Res & Single Line Business	Multi-Line Business
Step 1	\$7.25	\$9.20
Step 2	\$8.00	\$9.20
Step 3	\$8.75	\$9.20
Step 4	\$8.75	\$9.20
Step 5	\$8.75	\$9.20



Other SLC provisions (p. 24-25)

- SLC increases can be less than maximum, but RM will be calculated based on maximum increases
- SLC Pricing flexibility rules (price cap carriers):
 - May be geographically deaveraged
 - May be based on customer purchases
 - May be based on customer segments



Constraint 2 – Individual SLC Increases for Track 1_(p. 21)

- Individual residential and single-line business Track 1 increases limited to:
 - Step 1 - \$0.95 above pre-Plan
 - Step 2 - \$1.90 above pre-Plan
 - Step 3 - \$3.10 above pre-Plan
 - Step 4 - \$4.30 above pre-Plan
 - Step 5 – Constraint lifted



Constraint 3 – Average SLC Increases for Price Cap Carriers (p. 21-22)

- The current Common Line basket will be broken into
 - Mass Market Service Category – Residential and Single-line Business
 - Enterprise Service Category – Multi-line Business



Constraint 3 – Average SLC Increases – Track 1 (p. 21-22)

- Average SLC increases in each category capped at:
 - Step 1 - \$0.75
 - Step 2 - \$1.50
 - Step 3 - \$2.50
 - Step 4 - \$3.50
- Average SLC increases also capped at Access Shift per Line for that Step
- Constraint lifted at Step 5



Track 1 – Adjustment to SLC Constraints (p. 21-22)

- Constraint levels for Track 1 can be modified if the total access reduction is greater than
 - Step 1 – 25% of total
 - Step 2 – 50% of total
 - Step 3 – 75% of total
- Constraint multiplier based on % above expected reductions (55% to 50% = 1.10 multiplier)
- Cannot exceed ultimate SLC cap



Restructure Mechanism (RM)

- Mechanism to provide revenue recovery to carriers for reductions in access and reciprocal compensation above recovery received from increased SLCs.
- Estimated at \$1.5 billion annually when fully implemented
- No specific contribution method is proposed.



RM – Rules for All Tracks (p. 64)

- RM recovery calculated as though carrier has raised SLC rates to highest level allowed
- SLC for Lifeline will not be raised. Lifeline program will provide additional amounts to cover SLC increase
- RM recovery calculated separately for each study area



RM – Track 1 – General (p. 64)

- Track 1 recovery through SLC increases and RM for:
 - Reductions in originating and terminating access
 - Modifications to intercarrier compensation for transport and termination of EAS traffic
- Track 1 RM based on Access Shift Per Line
- For Track 1, the loss (or gain) of a line at any Step of the Plan will result in a loss (or gain) of RM recovery



RM – Track 2 PC – General (p. 69)

- Track 2 PC recovery through SLC increases and RM for:
 - Reductions in originating and terminating access
 - Changes in reciprocal compensation paid or received
 - Changes in categorization of traffic (access to recip. comp.)
- Track 2 PC RM based on Access Shift Per Line



RM – Track 2 PC – Impact of Line Changes (p. 73)

- For Track 2 PC, the loss (or gain) of a line in Steps 1-3 *will not* result in a loss (or gain) of RM recovery
- For Track 2 PC, the loss (or gain) of a line at Step 4 and later of the Plan *will* result in a loss (or gain) of RM recovery



RM – Track 1-3 ROR Carrier – General

(p. 73—74)

- ROR recovery through SLC increases and RM for:
 - Reductions in originating and terminating access
 - Net changes in reciprocal compensation revenue and expense
 - Net changes in transiting costs
 - Changes in Part 36/69 or average schedule interstate revenue requirement
- Calculations on a total revenue basis
- Base Year is last full calendar year prior to Plan implementation



RM – Track 1-3 ROR – True Up

(p. 74)

- Track 3 based on projected results for the current year.
- When actual data becomes available, ROR RM payment amounts will be trued up with actual revenue requirements and revenues replacing the prior projections.



Lifeline USF (p. 79)

- Lifeline support for low-income customers will be adjusted automatically to offset changes in SLC rates.



Early Adopter Fund (p. 76-77)

- New federal fund of at least \$200 million
- Provided to states who previously established explicit state mechanisms to reduce access rates
- Funds must be used to reduce the size of explicit State funding mechanisms
- States must:
 - Implement the Plan
 - Certify that state fund dollars were used to reduce intrastate access rates



Early Adopter Fund - Illinois

- While the details of the Early Adopter Fund are still being developed, Illinois should qualify for the Early Adopter Fund



Any Questions?

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